

March 29, 2001

Honorable Norman K. Ferguson, Senate Chair  
Honorable William R. Savage, House Chair  
Joint Standing Committee on Utilities and Energy  
115 State House Station  
Augusta, ME 04333

Re: LD 910, An Act to Provide Opportunity for Affordable House Lot  
Development

Dear Senator Ferguson and Representative Savage:

The Commission will testify neither for nor against LD 910, An Act to Provide Opportunity for Affordable House Lot Development. The Commission will be present at the work session and will be pleased to work with the Committee as it considers this bill.

On January 1, 2000, CMP implemented a Commission-approved revision to its single-phase line extension policy. One of the revisions affected the method by which a customer could pay for a line extension built by CMP. Under the old policy, a customer could choose between paying CMP through monthly payments over a 5-year period and paying some or all of the cost in a one-time up-front payment. Under the new policy, a customer must pay the entire cost in a one-time up-front payment. LD 910 would reinstate the option to pay CMP over a 5-year period. It would also implement this policy for all other transmission and distribution utilities in the State.

In the proceeding to consider CMP's line extension revisions, we concluded that CMP's new payment policy is reasonable because it is more efficient and less expensive for a customer to receive a loan from an established lending institution than from a utility. When a utility performs the lending function, three problems occur. First the cost to the customer is higher because the customer must pay the utility's carrying cost rather than the lending institution's lower interest rate. Second, the risk of default is transferred to other utility ratepayers. Finally, the utility incurs administrative costs that must be recovered from some or all ratepayers.

Since our decision in that case, we have investigated payment activities at the request of this Committee and have described our findings in the report to the Committee entitled "Report on Line Extension Policies to the Utilities and Energy Committee." In the investigation, lending institutions assured us that they grant loans for line extensions if the homeowner's ability to repay is adequate. Thus, CMP's new policy should not inhibit those with adequate means and full knowledge of the line

extension procedure from receiving financing. However, it appears that some customers are not aware of the need to pay for a line extension and are caught unaware after they have made their financial arrangements. In addition, homeowners with a marginal ability to pay for the full homebuilding package lose the benefit of the utility financing that a lending institution will not provide. Finally, mobile home owners may have more difficulty receiving financing because the line extension makes up a relatively higher portion of the full homebuilding package.

While, in our view, CMP's current payment policy is reasonable, we do not object to requiring a utility to perform a lending function as a customer service. BHE, MPS, and some consumer-owned utilities perform that function now. Should the legislature conclude that this requirement is a desirable guarantee for Maine's citizens, we will implement it through a rulemaking, as required by the bill. Alternatively, the bill could be amended to allow implementation through revisions to T&D utilities' Terms and Conditions, which would likely occur more quickly than a rulemaking.

A second revision to CMP's policy on January 1 affected the re-apportionment of payment between customers when a new customer connected to a line extension. The new apportionment method is simpler than the previous method and usually results in a lower payment by a new customer. LD 910 would implement a method that is similar to the approach currently used by BHE. It would also change the line extension policies of MPS and many of the consumer-owned utilities.

In the proceeding to consider CMP's line extension revisions, we concluded that CMP's new reapportionment policy is reasonable because it reduces administrative costs while still reapportioning some costs to new customers. While we understand that some customers have complained about this policy, we do not have a body of evidence that compels us to conclude that it should be changed. However, we do not object to the re-apportionment method contained in the bill. BHE uses that method now. Should the legislature conclude that this method is desirable for Maine's citizens, we will implement it as required by the bill.

In considering this bill, we remind the Committee that the bill would change the methods used by most or all T&D utilities in the State. For example, customers in BHE's and in some consumer-owned utility territories may pay over 10 years. There are very few complaints about line extension policies in BHE, MPS or the consumer-owned utilities' territories. We question the need to change policies that the utilities and their customers appear to find satisfactory.

If you have any questions, please contact me.

Sincerely,

Marjorie R. McLaughlin  
Legislative Liaison